consuming regulatory proceedings that many U.S. and foreign carriers could not afford to undertake.

VII. THE FCC SHOULD NOT ADOPT UNILATERAL ENFORCEMENT POLICIES WHICH ABROGATE THE CONTRACTUAL DUTIES OF U.S. CARRIERS

The Notice (at para. 89) proposes various options for unilateral enforcement of mandatory settlement rate benchmarks by the FCC. In particular, where foreign carriers do not comply voluntarily with such benchmarks and communications with foreign Government authorities do not secure such compliance, the FCC proposes various unilateral enforcement options, including directing U.S. carriers to make settlement payments at or below the benchmark level rather than at the settlement rate they have contractually agreed to pay the foreign carrier. KDD strongly opposes the FCC's proposed unilateral enforcement measures.

Initially, it should be pointed out that these enforcement options underscore the extent to which the FCC, through the adoption of mandatory settlement rate benchmarks, is in fact attempting to exercise impermissible extraterritorial jurisdiction over foreign carriers regarding the provision of termination services in their own countries. Similarly, these proposed sanctions reveal the full extent of the conflict between the FCC's proposed benchmarks and ITR and ITU-T principles requiring the conduct of relations and the establishment of settlement rates by mutual consent.[25] If the FCC is prepared to enforce its benchmark prescriptions regardless of whether foreign carriers or their regulatory authorities

[25] See pages 20-21 infra.

consent to such prescriptions, then there is no arguable basis for the FCC to assert that it has fully complied with the letter and spirit of governing international regulations.[26]

The FCC's proposed unilateral enforcement measures also could lead to unfortunate conflicts between U.S. and foreign carriers and their respective Government authorities. For example, if U.S. carriers unilaterally reduced settlement payments at the FCC's direction without the foreign carrier's consent, the foreign carrier may bring a cause of action at law against the U.S. carriers in the foreign country. In situations where one or more U.S. carriers have operations in the foreign country, foreign carriers might consider taking steps to seize or shut down those operations as remedies for the U.S. carriers' failure to make the settlement payments to which they are contractually obligated. In those situations, it is entirely possible that a foreign court would pass judgment on whether the FCC has jurisdiction to adopt its settlement rate benchmarks and related enforcement procedures, and the development of significant trade and political imbroglios is easy to envision. In order to avoid such conflicts, KDD recommends that the FCC refrain from adopting unilateral enforcement measures.

[26] KDD would note that this is not a situation where a foreign carrier has agreed to a particular settlement rate with one U.S. carrier, but not with other U.S. carriers. E.g., In the Matter of AT&T Corp., MCI Telecommunications Corp. Petition for Waiver of the International Settlements Policy To Change The Accounting Rate for Switched Voice Service with Bolivia, 11 FCC Rcd 13799 (1996). Without expressing any opinion here whether the FCC has authority to ensure that foreign carriers treat all U.S. carriers in a non-discriminatory fashion, KDD would note that the Notice raises the quite different issue of whether the FCC has authority to require a foreign carrier to accept a settlement rate to which it has agreed with no U.S. carrier.

VIII. THE FCC'S PROPOSALS ARE CONTRARY TO INTERNATIONAL REGULATIONS AND CONSIDERATIONS OF INTERNATIONAL COMITY

The FCC's proposal to establish unilaterally the settlement rates between U.S. and foreign carriers for international switched traffic is directly contrary to the ITU Constitution and Convention, and to applicable international telecommunications regulations. Article 1.5 provides that "the provision and operation of international telecommunication services in a relation is pursuant to mutual agreement between administrations," and ITU-T Article 6.2.1 provides that "administrations shall by mutual consent establish and revise accounting rates to be applied." As a signatory to the International Telecommunications Union Constitution and Convention, the United States Government is obligated to comply with these provisions. The FCC's proposal to prescribe unilaterally settlement rate benchmarks applicable to foreign carriers is inconsistent with the letter and spirit of governing international telecommunications regulations.

In addition, the FCC's proposals in the Notice are an unfortunate departure from the FCC's previous practice of seeking to work with, rather than against, foreign carriers and regulatory authorities. The FCC has recognized that "our practice of the past thirty years . . . has been to approach international telecommunications as a cooperative venture between sovereign nations."[27] In the past, the FCC has been "[m]indful of the basic nature of the international system" when it adopted international telecommunications policies.[28] As the Notice recognizes (at paras. 15-17), the issue of accounting rate reform is under active discussion and consideration within several multilateral organizations, including ITU-T Study

---

[27] AT&T Co., 98 FCC 2d 440, 462 (1984).

[28] AT&T Co., 88 FCC 2d 1630, 1640 (1982).

Group 3. Those fora are the appropriate vehicles for addressing an inherently multilateral issue such as global accounting rate reform, and the FCC's attempt to circumvent those fora by unilaterally imposing the solution preferred by the U.S. Government and its carriers is harmful, rather than helpful, in making progress towards workable and effective accounting rate reform.

IX. ALL COUNTRIES SHOULD ADDRESS SETTLEMENT RATE REFORM THROUGH THE APPROPRIATE INTERNATIONAL FORA

KDD believes that unilateral action by the FCC, as proposed in the Notice, would not achieve the FCC's desired objectives, but would in fact impede necessary progress towards meaningful settlement rate reform on a global basis. As these comments show, traffic and settlement imbalances today largely reflect the U.S. reverse-billed and refile services that have proliferated in recent years. The benefits bestowed upon U.S. consumers by these services are open to question and certainly unproved. The market may now have reached a point where the U.S. carriers have driven their wholesale prices so far down that the only way to continue the upward trend in retained revenues is to pursue aggressively further settlement rate reductions. In KDD's view, the mandatory settlement reductions proposed by the FCC would chiefly benefit U.S. carriers at the expense of their foreign correspondents and the foreign rate-payers they serve.

Moreover, the FCC does not fully acknowledge the extent to which notional settlement rates have declined steadily in recent years due to the efforts of major international carriers and regulatory authorities such as the FCC. However, due to the impact of reverse-billed and refile services, certain foreign carriers are becoming more dependent upon settlement revenues to replace lost collection revenues. Understandably, those carriers will be more reluctant to accept additional settlement rate reductions due to the increased economic impact they would have in today's environment. While the FCC may be frustrated that more progress has not been achieved in securing further settlement rate reductions, the U.S. carriers themselves are at least partly responsible due to the impact of reverse-billed and refile services. As national regulatory authorities perceive that more active regulatory management of notional settlement rates and revenue distribution are required in today's environment, it becomes paramount for each country to know the limit of its own sovereignty and to respect the sovereignty of other countries over their own telecommunications markets and carriers.

It is clear to KDD that unilateral action of the sort proposed by the FCC in the Notice will not further the cause of worthwhile settlement rate reform. The current settlement rate system was designed on a multilateral basis under the aegis of the ITU, and the reform of that system should be pursued in the same manner. KDD submits that an appropriate procedure would be to facilitate the discussion within Study Group 3 of ITU-T to review international settlement rates and practices, and to determine whether a new structure would work better than the current system to take into account tariff and traffic imbalances that exist today. National authorities would exert regulatory authority over their own in-payment requirements. The multilateral consideration of possible solutions is far preferable to unilateral actions that prefer the interests of carriers in one country over those of other countries. KDD stands ready to participate fully in any appropriately constituted multilateral effort to address the issues raised by the FCC in the Notice.

X. THE PROPOSED POLICIES WOULD REPRESENT HARMFUL ENTRY BARRIERS

The Notice (at paras. 76 & 82) raises the issue of whether the FCC should condition the entry of foreign carriers into the U.S. market on a facilities or resale basis by requiring compliance with the proposed settlement rate benchmarks. As sanctions against foreign carriers and countries, such conditions would be a giant step backwards in the global effort to make all countries open to competitive new entry. While such conditions might lead to a lower U.S. settlements imbalance, they would constitute naked protectionism by the United States and encourage the chaotic and ultimately harmful introduction of similar policies by other countries seeking to benefit their own carriers at the expense of their foreign correspondents. While promoting competition is a valuable undertaking, the proposed conditions are not necessary to ensure fair competition in the U.S. or international markets, and they should not be adopted.

Further, the FCC's market entry policy for foreign carriers, known as the effective competitive opportunities ("ECO") standard, establishes an equally objectionable trade barrier.[29] U.S. officials in the World Trade Organization negotiations have recognized that the ECO test is inconsistent with international trade principles and should be repealed forthwith. In materials distributed by the FCC pursuant to those negotiations, the FCC stated

---

[29] In KDD's experience, the ECO policy has resulted in delayed and diminished competitive opportunities in the U.S. market for foreign carriers. KDD's affiliate, KDD America, had to wait more than one year to receive Section 214 authority to provide non-interconnected IPL resale services on the U.S.-Japan route, and the International Bureau classified KDD America as a dominant carrier even though KDD does not control bottleneck facilities in Japan. Last year KDD America filed a still-pending petition for reconsideration seeking classification as a nondominant carrier for the provision of non-interconnected IPL resale services on the U.S.-Japan route.

that, in its view, several factors play a role in determining the public interest in open market entry by foreign carriers, including "1) general significance of the proposed entry to the promotion of competition in the U.S. communications market; 2) considerations of national security, law enforcement, foreign policy or trade policy concerns raised by the Executive Branch and the requirements of international agreements to which the United States is a party; 3) presence of cost-based accounting rates and 4) an analysis of whether 'effective competitive opportunities' (ECO) exist." Without accepting those views, KDD would note that the FCC's proposed benchmarks would simply increase the barriers to entry embodied by the ECO policy without providing any additional safeguards to ensure competitive conditions in the U.S. market. In comparison, Japanese regulatory authorities impose no barriers to foreign-carrier entry into the Japanese international resale market, and registration as a Special Type II carrier occurs routinely and by law within 15 days. The FCC would only exacerbate the entry barriers it has already created through the ECO policy by conditioning existing or future Section 214 authorizations upon compliance with the FCC's settlement rate benchmarks.

XI. THE PROPOSED SETTLEMENT RATE BENCHMARKS WOULD BREACH GATS PRINCIPLES

The FCC's proposals in the Notice would contravene several well-established principles and requirements of international trade law. Apart from the FCC's impermissible attempt to exercise extraterritorial sovereignty (see pages 2-7 supra), the FCC's proposal to adopt different benchmark rates for three categories of countries based upon the World Bank classifications would be inconsistent with the Most Favored Nation ("MFN") principle embodied in Article 2 of the General Agreement on Trade in Services ("GATS"). The FCC cannot defend its proposals as reasonable, objective and impartial domestic regulations under Article 6. The Notice (at para. 89) recognizes that the proposals will not achieve their objectives absent unilateral mechanisms to enforce mandatory settlement rate benchmarks against foreign carriers, and KDD has shown (see pages 11 and 16 supra) that the FCC's effort to prescribe settlement rates charged by foreign carriers for terminating traffic in their own countries entails wrestling with difficult issues of foreign exchange rates and purchasing power parity.[30]

Further, the FCC's proposal to prescribe the settlement rates that foreign carriers may charge for terminating U.S.-originating traffic in their own countries, while declining to prescribe the settlement rates that U.S. carriers may charge to terminate foreign-originating traffic in the United States, would be a straight-forward violation of the National Treatment principle in Article 17. It would be illogical for the FCC to prescribe foreign settlements while retaining the 50/50 division of tolls that systematically overcompensates U.S. carriers. Given the FCC's recognition that the costs incurred by U.S. carriers are significantly lower than the costs incurred by foreign carriers to terminate international switched traffic, the FCC's implicit determination to continue adhering to a non-cost oriented 50/50 division of tolls while purporting to prescribe cost-oriented settlement rates for foreign carriers simply cannot be squared with the National Treatment principle. Continued application of the 50/50 policy also would not reasonably reflect cost differences among countries and, therefore, it

[30] The FCC's proposal (Notice at paras. 76 & 81) to condition certain Section 214 authorizations of foreign-affiliated U.S. carriers on compliance with the settlement rate benchmarks is equally contrary to the letter and spirit of these international trade principles.

would violate the MFN principle. If the Commission determines to move forward with prescribing benchmark settlement rates for foreign carriers, the National Treatment and MFN principles demand that the FCC abolish the 50/50 policy by prescribing cost-oriented settlement rates for U.S. carriers as well.

Conclusion

For the foregoing reasons, KDD submits that the FCC should not prescribe settlement rate benchmarks as proposed in the Notice.

Respectfully submitted,

By: ______________________

Robert J. Aamoth
Kelley Drye & Warren LLP
1200 19th Street, N.W.
Suite 500
Washington, D.C. 20036
(202) 955-9600

February 7, 1997

Its Attorneys

CERTIFICATE OF SERVICE

I, Kim S. Harris-Miles, hereby certify that I have served a copy of the foregoing "Comments of Kokusai Denshin Denwa Co. Ltd." on this 7th day of February, 1997, upon the following parties by hand delivery:

Donald Gips
Chief, International Bureau
Federal Communications Commission
2000 M Street, N.W., Room 827
Washington, D.C. 20554

Diane J. Cornell
Chief, Telecommunications Division, International Bureau
Federal Communications Commission
2000 M Street, Room 838
Washington, D.C. 20554

Peter Cowhey
Chief, Multilateral and Development Branch
Federal Communications Commission
2000 M Street, Room 849
Washington, D.C. 20554

Kathryn O'Brien
International Bureau
Federal Communications Commission
2025 M Street, N.W., Room 5202
Washington, D.C. 20554

International Transcription Services
1919 M Street, N.W., Room 246
Washington, D.C. 20554

K. S. Harris-Miles
Kim S. Harris-Miles

DC01/HOLMBE/35326.41

ATTACHMENT A

INTERNATIONAL TELECOMMUNICATION UNION

TELECOMMUNICATION STANDARDIZATION SECTOR

STUDY PERIOD 1993 - 1996

GR TAS-R 4-E
May 1996
Original: English

Texte disponible seulement en
Text available only in
Texto disponible solamente en
E

REGIONAL TARIFF GROUP FOR ASIA AND OCEANIA
TAS GROUP – REPORT R 4

SOURCE*: TELECOMMUNICATION STANDARDIZATION BUREAU

TITLE: REPORT OF THE MEETING HELD IN MANAMA (BAHRAIN) FROM 6 TO 9 MAY 1996

CONTENTS

Page

PART I

1.	General	3
2.	Adoption of the agenda and review of available documents	3
3.	Review of TAS and Study Group 3 activities	4
4.	Results of D.500 R and D.501 R Questionnaire	4
5.	Results of the cost study for inward IDD services	5
6.	Revision of Recommendation D.500 R	5
7.	Extension of cost models for other services	6
7.1	Other telephone services and new services	6
7.2	Formula for calculating return on investment	6
7.3	Cost model workshop	6
8.	Examination of other new study items adopted at last TAS Group meeting	7
8.1	Call-Back	7
8.2	Regulatory environment	7
8.3	Refile and least cost routing	7
8.4	Regulating the telecommunication industry in a multi-operator environment	8
8.5	Alliances and the effect on traffic accounting	8
8.6	Internet	8

* **Contact:** TSB

Tel: +41 22 730 5989
Fax: +41 22 730 5853

Page

9. Future work programme 8

10. Next meeting 9

11. Closure of the meeting 9

Annexes :

Annex 1 - List of participants 10

Annex 2 - List of available documents 17

Annex 3 - New Questionnaire on costs for inward IDD services in direct and transit relations 19

Annex 4 - Contribution by Jabatan Telecom Malaysia 35

PART II - Modifications to Recommendation D.500 R 40

PART I

1. General

1.1 At the kind invitation of the Ministry of Transportation of the State of Bahrain and Bahrain Telecommunications Company, the Tariff Group for Asia and Oceania (TAS) met in Manama (Bahrain) from 6 to 9 May 1996, under the chairmanship of Mr. P. Watt (Telecom New Zealand International) who was assisted by the Vice-Chairmen, Mr. A. Shaheed Al Sateeh (Bahrain) and Mr. S. Purwar (India). A full list of participants is attached at Annex 1.

1.2 The meeting was officially opened by Mr. Rasheed Al Meraj, the Under-Secretary of the Ministry of Transportation. He welcomed all delegates on behalf of the Bahrain Administration and said that the tremendous changes in the telecommunications industry demand serious efforts to keep pace with such developments by strengthening cooperation and coordination among administrations and the concerned international organizations. He commended the effort by the Tariff Group for Asia and Oceania in strengthening the cooperation among members and in providing tariff Recommendations for the telecommunications industry of the Region. He expressed his hope that this meeting will also bring forth a good outcome and wished all delegates an enjoyable stay in Bahrain.

1.3 On behalf of all delegates attending the TAS Group meeting, the Chairman acknowledged the generosity of Bahrain in hosting the meeting. He stressed the importance of the meeting in outlining the matter to be discussed. The TAS Group would be called upon to refine and extend the cost model but also it would be looking at developments that are of commercial interest to carriers and governments in the Region.

1.4 The TAS Group accepted the attendance of the Syrian delegation (country belonging to TEUREM) as an observer.

2. Adoption of the agenda and review of the available documents

2.1 The draft agenda, as proposed in TSB Collective letter 9/TAS (23 February 1996), was adopted without change.

2.2 At its meeting in Bahrain, the TAS Group had before it the following documents :

- Contribution GR TAS-10 (TSB) giving the results of the inquiry into the accounting rates for year 1996 applied to telephone and telex relations between countries in Asia and Oceania.

- Contribution GR TAS-11 (Telecom New Zealand) shows additional costs to be incurred by a new service on the PSTN and possible allocation of those costs.

- Contribution GR TAS-12 (Telecom New Zealand) shows how the current TAS Group cost model for inward IDD could be expanded to include other telephone services such as operator traffic or reverse class traffic.

- Contribution GR TAS-13 (TSB) shows the results of the cost study for the year 1996 made by different countries in applying the cost model developed by TAS Group.

- Contribution GR TAS-14 (TSB) indicates the possible way of reflecting the results of cost studies into the accounting rates negotiations between ROAs of the TAS Region.

- Delayed Contribution D 1 (KDD, Japan) provides information on Internet activities and looks into the charging and accounting implications.

and face the new challenge coming from the outside world like "call-back", refile or Internet is to reduce costs.

4.4 India pointed out that the costs may be higher than the Recommendations D.500 R and D.501 R levels. India proposed to submit a contribution for the next meeting to explain the reasons for the high costs. Philippines indicated that the government policy obliges some kind of cross-subsidy between international and national communications.

4.5 In spite of difficulties expressed by some countries, the TAS Group agreed to reaffirm that accounting rates should be based on cost model data but where such data was not available to establish the rates then administrations should not exceed the maximum accounting rates recommended in Recommendations D.500 R and D.501 R by the end of year 1996. The TAS Group agreed that monitoring progress on the implementation of TAS Recommendations would be useful and decided to repeat the survey.

4.6 The TAS Group agreed to revisit the Recommendation D.500 R for possible revision after having examined the results of the cost study (see section 6 below).

5. Results of the cost study for inward IDD services

5.1 The first cost study for inward IDD services has been realized in 1995. The TAS Group recognized that gathering of data to measure the results of applying the cost model developed by TAS Group would be very useful for the future development of TAS Group studies. The second study was realized in 1996 and the results were published in Contribution GR TAS-13.

5.2 From the results of the second study the TAS Group noted that the actual accounting rates in the TAS Region are in general not yet cost orientated and this is true also for the actual transit share which is still too high (between 0.4 SDR and 0.6 SDR). It was noted that the standard levels of accounting rates quoted in Recommendation D.500 R are too high when compared to cost based levels and need to be reviewed.

5.3 The TAS Group decided to repeat the cost study in 1997. However, to avoid misunderstanding, it was agreed to revise the text for the cost study Questionnaire. The agreed new Questionnaire on costs for inward IDD services in direct and transit relations can be found in Annex 3 of this report.

6. Revision of Recommendation D.500 R

6.1 At the last meeting in Kuala Lumpur, TSB has been requested to indicate how the cost studies made by the TAS Group could be reflected into the accounting rates negotiations between the ROAs of the TAS Region.

6.2 In Contribution GR TAS-14, TSB proposes different ways of using the results of the cost study for the accounting rates negotiations. One way is to determine the accounting rate movement trends in the TAS Region and to develop a Recommendation. In 1992, when the TAS Group developed Recommendation D.500 R, it was based on the synthetic method but corrected by several adjustment factors. TSB proposed to combine the results of the 1992 study and the analytical studies made in 1995 and 1996 in order to obtain the TAS Region trend. The cost trend indicated by TSB has shown a reduction of 19.18 % from 1993 to 1996.

6.3 After an exchange of views, the TAS Group agreed to use the cost trend developed by TSB to revise the maximum accounting rates recommended in Recommendation D.500 R. The agreed new rates are 0.82 SDR, 0.96 SDR and 1.02 SDR respectively for the distances between 0 to 3,000 km, 3001 to 6,000 km and over 6,000 km. The new rates will be used as soon as the new revised Recommendation is approved (probably middle of year 1997), but in the event of scheduled reduction of accounting rates, the new revised figures should be implemented before July 1998.

6.4 The revised Recommendation D.500 R can be found in Part II of this report. As there is no cost study for the telex service, Recommendation D.501 R remains unchanged.

7. Extension of cost models for other services

7.1 Other telephone services and new services

7.1.1 New Zealand submitted two contributions GR TAS-11 and 12 showing how the current TAS cost model can be extended to include other telephone services, such as operator traffic or reverse class traffic. Additional costs likely to be incurred by a new service on the PSTN were also enumerated.

7.1.2 KDD pointed out that in the case of home country direct (Recommendation D.116), additional cost due to the longer holding time for call set up should be taken into account. Bahrain stated that operator assisted incoming call is insignificant but the impact of operator assisted service call may be studied.

7.1.3 The TAS Group started examining each cost element but India requested more time to determine the exact cost elements in his country. The TAS Group decided to postpone the study and the Chairman requested contributions for the next meeting.

7.2 Formula for calculating return on investment

At the last meeting, Korea Telecom proposed the inclusion of a formula in the cost model for calculating return on investment. Because of divergent points of view with Oman, Korea Telecom submitted a delayed contribution for clarifying its position. During the meeting, the TAS Group agreed in principle the concept but agreement could not be reached on a formula for calculating return on investment. Contributions were invited for the next meeting on this aspect.

7.3 Cost model workshop

In the morning of 8 May 1996, a workshop designed to provide more insight into the TAS cost model was organized. Mr. Al Tiwanyi (Oman) explained how his Administration has succeeded to implement the TAS cost model, the difficulty he encountered and the advantage of the TAS cost model. At the end of his exposure, he presented the cost computation summary of his Administration with real figures on a country by country basis. The questions raised by the delegates were mainly procedural and focused on the appropriateness of the figures and the method of allocation of costs. This implementation result based on Oman proved the cost model works and is a very useful tool.

The meeting found the workshop on the TAS cost model very useful and decided to hold a follow-up workshop at the next meeting. Administrations were requested to send to TSB the specific point of the cost model on which they wish to have additional detailed analysis. At the end of the workshop a round table review did show that the TAS cost model is used by several administrations but no special problem concerning the use of the cost model was being experienced. The objective now is to encourage use of the model by a greater number of countries.

8. Examination of other new study items adopted at the last TAS Group meeting

8.1 Call-Back

8.1.1 The Chairman and TSB presented the results of the study by Study Group 3 on Call-Back issues. Study Group 3 developed a draft Resolution related to Call-Back to be adopted by Council in June 1996. TSB has dispatched a Questionnaire to collect information on conditions for provision of Call-Back in each country.

8.1.2 The TAS Group discussed if there is a possibility of coordination/cooperation between countries of TAS Region aimed at tackling the difficulties experienced by a number of countries regarding the provision Call-Back. Some administration indicated that in their bilateral negotiations they are refusing to reduce the accounting rate level as long as the administration where the Call-Back operators are located do not respect the sovereign right of the other nation to stop the Call-Back practice. From the regulatory point of view, the TAS Group noted that 11 countries among 17 attending the meeting in Bahrain have declared that the Call-Back practice is illegal in their country.

8.1.3 The TAS Group agreed to wait the results of the TSB Questionnaire on Call-Back and the decisions of Council before taking any action. The TAS Group decided to support the decision of Study Group 3 and to request Council Members to adopt the Resolution proposed by Study Group 3.

8.2 Regulatory environment

8.2.1 The Chairman presented the current status on issues of interest in the ITU, WTO, OFTEL, FCC and Telia.

8.2.2 ITU : In addition to Study Group 3 activities, the Chairman reported on the activities of the Resolution 15 review committee (Review of the rights and obligations of all Members of the Sector of the Union)

8.2.3 WTO : The TAS Group noted the background to the negotiating round on basic telecommunication services and that while offers were made, the end April deadline for agreement had not been reached. It also noted that current offers to open markets would be frozen and negotiations would commence again in July with the objective of reaching a conclusion in February 1997.

8.2.4 OFTEL : The TAS Group noted the OFTEL statement dated December 1995 which released the accounting rates between the UK and OECD countries.

8.2.5 FCC : The TAS Group noted the new FCC Policy on accounting rate reform and the FCC intention to increase regulatory support for new services that increase competitive pressure.

8.2.6 Telia : The TAS Group noted the reported policy of Telia to demand massive reduction in cross border rates or risk being by passed.

8.3 Refile and least cost routing

8.3.1 For Carrier to Carrier refile, Study Group 3 reaffirmed that Article 3.3 (determination of route to be used) of the International Telecommunication Regulation should be respected. However in general it is not possible to identify the point of origin of traffic and in Study Group 3, there were divergent views on the definition of refile. The TAS Group noted the trend towards Carrier to Carrier refile where accounting rates were still high.

8.3.2 The Chairman presented also the least cost routing policy adopted by some carriers. The TAS Group noted the increasing pressure on carriers in competitive countries to reduce their costs to compete with emerging entities such as resellers, Call-Back operators, new entrants etc. If traditional carriers would not move quickly to implement the Recommendation D.140 and adjust prices towards cost orientation then carriers in competitive countries would have no option but to by-pass traditional accounting and adopt a least cost routing policy.

8.4 Regulating the telecommunication industry in a Multi-operator environment

Ms Mariah Ibrahim (Jabatan Telecom Malaysia) presented a contribution (Delayed contribution No2) on the development of a regulatory model for a multi player environment in Malaysia. In the new environment, the regulatory role seems to have shifted from promoting the interest of users to that of an arbiter of interest, ensuring that the forces of competition can work efficiently. The issue is how to manage the use of technology and encourage investment in a way that deliver benefits to the users and the achievement of public policy goals. The contribution describes how Malaysia tackled to put in place its own regulatory structure. As many TAS countries are now examining the restructuring of its telecommunication organization in separating the function of operator and regulator, the TAS Group found the contribution very useful and decided to annex to the present report (see <u>Annex 4</u>)

8.5 Alliances and the effect on traffic accounting

Mr. Kharil Al-Fardan (Batelco) reviewed the different alliances which exist in explaining their characteristics. The advantages of alliances, especially from the point of view of the efficient network configuration and operation, were discussed. The TAS Group discussed also the relationship between alliances and refile. The Group decided to continue the study on the development of alliances and any implications on the activities of carriers in the TAS Region.

8.6 Internet

In delayed contribution No1, KDD described the recent development of Internet in Japan and explained how Internet services are charged and accounted. There is a need for bandwidth and facilities available for transit to keep up with the increase in volume but for the time being, there is no incentive for this and the guideline is missing. KDD asked if there is a need to develop a Recommendation for an appropriate accounting methods to facilitate the expansion of network and transit facilities. Delayed contribution No3 (Japan) pointed out the problem to TAS Group, namely the framework which will accelerate the construction of enough capacity in order to prepare for the diffusion of Internet traffic and the harmonized development of the network. TAS Group agreed on the necessity of continuing the study on Internet issues (regulatory matter in relation with Recommendation D.1, charging and accounting in order to allow the expansion of network, voice migration or by-pass problem, possibility of cooperation and review of the status of Internet etc.) Nomination of a rapporteur was proposed but it was agreed that TSB act as focus point and to analyze all contributions received. Participants were invited to submit contributions before end of September 1996 so that TSB has time to prepare a discussion paper/presentation for the next meeting.

9. Further work programme

The TAS Group considered its next priorities for study. Based on the suggestion of several countries, the Group agreed the following list of potential new study items. As the study depends on the contributions submitted, the Group nominated the lead country (ROAs) to develop contributions.

1) Cost model

- Other telephone services (New Zealand)

- Non Basic Services (Indonesia)
- Developing countries costs (India)
- New services (New Zealand)
- GSM (India)
- Broadband services (Korea)

2) Effect of New Technologies

- Internet (All - contribution to TSB by September 1996)
- Global Mobile Personal Communication Systems (Bahrain/Australia/Japan)
- UPT (Australia)
- ISDN Status (Cable and Wireless)
- Alliances (Bahrain)

3) Miscellaneous

- Explore means for small countries to participate (France)
- Privatisation (India)
- Regulatory Status Update (New Zealand)
- Liberalization (Oman)
- Continue tracking Call-Back/Refile (New Zealand)

10. Next meeting

The TAS meeting noted with appreciation India's tentative offer to host the 1997 meeting. The timing to be mutually agreed between host, ITU and the Chairman but should endeavor for late June/early July 1997.

11. Closure of the meeting

The Chairman thanked all participants for their contribution to the TAS Group's work and for the spirit of cooperation they had shown throughout the study period. He especially thanked those who submitted contributions and the Secretary and two Vice-Chairmen who had strongly supported the Chairman during what has been a very successful study period by TAS.

On behalf of all the delegates, Mr. Purwar (India) thanked Bahrain Administration and Batelco for the kind invitation to hold the meeting in Bahrain and the local secretariat staff who supported the meeting in an excellent manner.

<u>Annexes</u> : 4

Annex 1
(to Part I)

LIST OF PARTICIPANTS

AUSTRALIA

1 GRUNDY Wayne
Regional Director Europe/Middle East/Africa
Telstra
44 Paul St., London UK EC2A
Tel : +44 171828 2328
Fax : +44 171 828 7938

SAUDI ARABIA

2 AL-MASAD Abed
Assistant Director Tariff
MOPTT Saudi Telecom
Riyadh, Saudi Arabia
Tel : +966 1 4526895
Fax : +966 1 4526565

3 ASEERI Mohammed
Chief of Auditing Settlement
Dept. International Accts.
MOPTT
Riyadh 11112, Saudi Arabia
Tel : +966 1 4637535
Fax : +966 14021489

4 AL-HAZOBAR Ali Awaidha
Director International Tariff
Ministry of PTT
Riyadh, Saudi Arabia
Tel : +966 1 4637571
Fax : +966 1 4021489

BAHRAIN

5 AL-SATEEH Abdul Shaheed Abdulla
Head of Telecomms Engineering
Ministry of Transportation
P.O. Box 11170
Manama, Bahrain
Tel : +973 523444
Fax : +973 533544

6 SHEHAB Mohammed
Telecomms. Engineer
Ministry of Transportation
P.O. Box 11170
Manama, Bharain
Tel : +973 523434
Fax : +973 533544

7 AHMED Rashid
International Relation
Batelco, PO Box 14,
Manama, Bahrain
Tel : +973 885655
Fax : +973 537733

8 KHALIL Mohammed
Senior Officer Inter-Admin. Accounting
Batelco, PO Box 14
Manama, Bahrain
Tel : +973 885995
Fax : +973 537733

9 HULL Roderic
Manager Financial Support
Batelco
PO Box 14,
Manama, Bahrain
Tel : +973 884785
Fax : +973 611484

10 Maha Khalifa Al-Zayani
Business Support Accountant
Batelco
PO Box 14,
Manama, Bahrain
Tel : +973 884995
Fax : +973 611484

11 M. Shantha Kumar
Manager - Costing
Batelco
PO Box 14,
Manama, Bahrain
Tel : +973 884723
Fax : +973 611383

12 Arun Mandhana
Business Support Accountant
Batelco
PO Box 14,
Manama, Bahrain
Tel : +973 884492
Fax : +973 611383

13 SULTAN A.Hadi
Manager Billing
Batelco
PO Box 14,
Manama, Bahain
Tel : +973 884434
Fax : +973 611383

14 KHONJI Susan
Network Controller Planning
Batelco
PO Box 14,
Manama, Bahrain
Tel : +973 883339
Fax :+973 250260

15 AL-FARDAN Khalil
Carrier Relations Manager
Batelco
PO Box 14,
Manama, Bahrain
Tel : +973 885433
Fax : +973 537733

16 HANI RADHI Ahmed
Senior Officer Transit & Amblig
Batelco
PO Box 14,
Manama, Bahrain
Tel : +973 885677
Fax : +973 537733

17 JANAHI Neelofar
S.Officer Service Dev. Route Management
Batelco
PO Box 14,
Manama, Bahrain
Tel : +973 885488
Fax : +973 537733

CHINA

18 Yin Shaochun
Section Member Tariffs Division,
Department of Finance
Ministry of Post & Telecom.
13 West Changan Ave.
Beijing, China
Tel : +86 10 66022856
Fax : +86 10 66022856

19 Cai Xiao Mei
Policy Research
Economic & Technological
Development Research Centre MPT
40 Xueyan Road Haidian District
Beijing 10083, China
Tel : +86 10 60011155-773
Fax : +86 10 62011711

UNITED ARAB EMIRATES

20 AL-SHARHAN Mohammed
Superintendent Marketing (Tariff)
Etisalat
PO Box 3838
Abudhabi, United Arab Emirates
Tel : +9712 2084418
Fax : +9712 324499

INDIA

21 PURWAR Shri Prakash
Senior D.D.G. (Finance)
Dept. of Telecom, Govt. of India
309, Sanchar Bhawan,
New Delhi - 110001, India
Tel : +91 11 371 4141
Fax : +91 11 375 5521

JAPAN

22 KOGA Hiroaki
International Affairs Dept.
Ministry of Posts and Telecom.
3-2, kasumigaseki 1-Chome,
Chiyoda-ku,
Tokyo 100-90, Japan
Tel : +81 33504 4793
Fax : +81 33504 0884

23 IWAKAMI Kazuyuki
Assistant Manager, Carrier Relations
International Digital Comm. Inc.
5-20-8, Asakusabashi, Taito-ku,
Tokyo, Japan

Tel. +81 3 5820 5145
Fax:+ 81 3 5820 5365

JAPAN

24 YAMAMOTO Osamu
Chief Area Manager, Europe,
Middle East and Africa
International Affairs Dept., KDD
PO Box 1 KDD Bldg. Shinjuku-ku
Tokyo 163-03 Japan
Tel : +81 3 3347 6468
Fax : +81 3 3347 6470

25 TSUKUI Soichi
Senior Assistant Manager,
Int'l Affairs Dept.
KDD
PO Box 1 KDD Bldg. Shinjuku-ku
Tokyo, 163-03 Japan
Tel : +81 3 3347 6470
Fax :+81 3 3347 6739

KOREA

26 LEE Yun-Mee
Research Fellow
Korea Telecom
17 Woomyeon-dong, Seochogu
Seoul, Korea 137-792
Tel.+82 2 5265069
Fax.+82 2 5265569

27 PARK Hae-Kyun
Manager, Int'l Telephone Business Div.
DACOM Corp.
140-716 Dacom Bldg.,65-228,3-Ga,
Hangang-Ro, Yongsan-Ku,
Seoul, Korea
Tel : +82 2 7050328
Fax : +82 2 7940199/705 0339

28 YOON Jung Kyoun
Asst. Manager, Int'l Telephone
Business Division
DACOM Corporation (Korea)
140-716 Dacom Bldg., 65-228,3-Ga
Hangang-Ro,Yougsan-ku,
Seoul, Korea
Tel : +82 2 705 0329
Fax : +82 2 7940199/705 0339

29 KIM Sanghwy
Manager
Korea Telecom
211 Sejong-no, Changno-Gu
Seoul 110-080, Korea
Tel.+82 2 7503918
Fax:+ 82 2 7503922

30 YOON Jung Hyeon
Manager/Strategic Marketing Planning
Korea Telecom, Stratigic Marketing Group
K.P.O. Box #475
Seoul, 110-050, Korea
Tel : +82 2 7252921/22
Fax : +82 2 7252959

MALAYSIA

31 IBRAHIM Mariah
Asst. Director Rates & Regulation
Jabatan Telecom Malysia
Jabatan Telecom Malaysia Grd Floor
Wisma Damansara, Jalan Semantan
Kuala Lumpur Malaysia
Tel : +60 3 2556687
Fax : +60 3 253080

32 TENGKU Ismail Mahmud
General Manager (Int'l Relations)
Telekom Malaysia Berhad
Wisma Semantan (Block A, 3rd Floor)
Jalan Gelenggang Damansara Heights,
50490 Kuala Lumpur Malaysia
Tel : +60 3 2088561
Fax : +60 3 2088526

33 KAUR Sarjit
Manager,Tariff Strategy & Planning
Telekom Malaysia Berhad
12th Flr, Wisma Telekom,
Jalan Pantai Baru
59200 Kuala Lampur, Malaysia
Tel : +60 3 2082210
Fax : +60 3 2321494

34 SUHAIMI Fauziah
Manager, International Relations
Telekom Malaysia Berhad
3rd Flr. Block A, Wisma Semantan
Jln Gelenggang, Damansara Heights,
50490 Kuala Lumpur, Malaysia
Tel : +60 3 208 8514
Fax : +60 3 208 8526

NEW ZEALAND

35 WATT Peter
Manager
Telecom New Zealand
PO Box 1092 Wellington
Tel : +64 4 4989061
Fax : +64 4 4989112

OMAN

36 AL-TIWANYI Saud Mohammed
Director General Finance
G.T.O. Oman
PO Box 789
Ruwi, PC111, Sultanate of Oman
Tel : +968 697832
Fax : +968 697066

37 AL-RAISI Abdul Hakim A. Hamid
Officer-International Relations
General Telecom. Organization (GTO)
PO Box 789,
Ruwi PC 112, Oman
Tel : +968 697573 - 968 609396
Fax : +968 695558

PHILIPPINE

38 PEÑA SUAREZ Raul
Chief, Rates Requlation Division
National Telecomms. Commission
Times St. Corner EDSA,
Quezon City, Philippines
Tel : +63-2-924-37-22
Fax : +63-2-921-71-28

39 PASA Lilibeth
Senior Manager-Pricing Division
Philippine Long Distance Tel. Company
12/F Ramon Cojuangco Bldg.,
Makati, Metro Manila, Philippines
Tel : +632-8168642/ 812-5461
Fax : +632-892-7889

QATAR

40 PREMASIRI Nupe
Tariffs Supervisor
Qatar Public Telecom. Corporation
PO Box 217,
Doha, Qatar
Tel : +974 400454
Fax : +974 325444

41 AL SAYGH Abdul Aziz
Head of Costing
Qatar Public Telecom. Corp. (Q.Tel)
PO Box 217,
Doha, Qatar
Tel : +974 326872
Fax : +974 351731

42 HUSSEIN Samir Suleiman
Finance Accounts Manager (A)
Q.Tel Qatar, PO Box 217
Doha, Qatar
Tel : +974 400322, 974 431616
Fax : +974 446424

THAILAND

43 CHANPRASERT Om
Division of rates and tariffs II
Telephone Organization
of Thailand (TOT)
89/2 Chaeng Watthana Road, Laksi,
Bangkok 10210, Thailand
Tel. : +66-2-505-4745
Fax. : +66-2-574-9510

44 VATANAVINIT Thidarat
Chief of International Services
Agreements Section
Telecomms Business Devlpt.Division
The Comms. Authority of Thailand
99 Chaengwatana Road,
Bangkok 10002, Thailand
Tel. : +66-2-5063361/ 5737651
Fax. : +66-2-5737093

45 THADASRI Thitiphan
Division of rates and tariffs 1
Telephone Organization of Thailand
89/2 Chaengwattana Road
Bangkok 10210, Thailand
Tel. : +66-2-505-4746
Fax. : +66-2-574-9510

46 PATHARAKORN Poonsook
Chief of Tariff Planning Section
Telecomms. Business, Develpt Div.
The Communic. Authority of Thailand
Chaengwattana Rd., Bangkok 10002
Tel.+66 2 506 3682
Fax.+66 2 573 7093